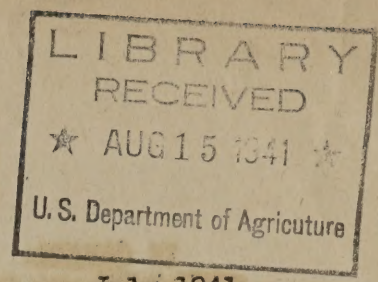


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UNITED STATES DEPARTMENT OF AGRICULTURE
U.S. Agricultural Adjustment Administration
Division of Information



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Wheat Programs in Major Wheat Exporting Countries July 1941

The world's four major wheat exporting countries are the United States, Canada, Argentina, and Australia. In the days when the world market took all the wheat it could get, these countries developed wheat producing capacity far in excess of home needs. Now the world growth of nationalism, controlled commerce, and artificial trade barriers has hit them all. War blockade has hit them all. With most of their world markets gone, all face growing surpluses, and they have found that uncontrolled surpluses mean low prices and bankrupt producers.

Each of the countries has had to adopt wheat programs to meet the surplus and income problems. These programs have had two common objectives: (1) Finding foreign outlets for production grown in excess of domestic requirements, and (2) maintaining domestic returns to growers in spite of depressed world market conditions. Each has had to adopt some sort of marketing control and some form of price guaranty. Several have tried price fixing, pooling operations, and currency depreciation. In every case, these programs to help the farmers have meant changes in the usual production and marketing processes, but the United States farmers' gains have been considerably greater than in the other countries.

A comparison of 1941 programs in the four countries follows:

IN THE UNITED STATES: Cooperator's return, approximately parity (\$1.10); noncooperator's return, market price protected by 98-cent loan for entire production of acreage allotment plus loan averaging about 59 cents a bushel for excess wheat, or market price for all wheat grown less 49 cents penalty on the excess. Voluntary acreage adjustment of about 20 percent; payments for compliance of 18 cents a bushel on normal yield of allotted acreage; marketing quotas applied with approval of 81 percent of growers voting in referendum; all farmers may sell entire production from acreage allotments on market supported by 85-percent-of-parity loan; program cooperator may put entire production under nonrecourse Government loan averaging 98 cents a bushel; noncooperators subject to penalty of 49 cents a bushel on normal or actual production, whichever is smaller, of acres in excess of allotment unless this excess wheat is kept off market by storage under bond or by delivery to Government for relief use; stored excess eligible for 2-year Government loan at rates averaging 59 cents a bushel; Government pays storage on collateral delivered in settlement of loans, 7 cents a bushel to farmer who stores collateral on farm until April 30, 1942, and 12 cents for storing excess wheat to postpone penalty until April 30, 1943; crop insurance guarantees 50 or 75 percent of normal yield.

IN CANADA: Growers' return, guaranteed price averaging about 52 cents a bushel on the farm Canadian money, (equivalent to about 47 cents U. S. money) plus maximum of \$4 per acre on land diverted from wheat; Government asked voluntary acreage cut of 35 percent under 1940; bonus to farmers who shift land from wheat; Wheat Board offers fixed price averaging 52 cents a bushel on farm for not more than 230 million bushels; deliveries to be made on per-acre basis as storage room becomes available -- stocks now fill 460 million out of 575 million bushels of available storage space; farm storage allowance to be paid on undelivered portion of 230 million bushels only; fine and imprisonment for delivering or selling wheat in excess of quotas.

IN AUSTRALIA: Growers' return, averaging about 51 cents on the farm (U. S. money) if they comply with acreage control program and also market their wheat through Government channels; all farms growing wheat must be registered and growers licensed under new control program; control calls for stabilization of wheat growing at annual production of about 140 million bushels, or about an average harvest allowing for seed and feed on the farm.

IN ARGENTINA: Growers' return averaging about 42-45 cents a bushel on the farm (U. S. money); Government purchases crop; Grain Board authorized to secure a promise from growers that 1941 acreage will not be increased and, if requested, to make as much as 10-percent reduction; no request for such a reduction appears to have been made this year.

The following makes a comparison of the situation in Canada and in the United States, and also compares the programs now in operation to solve the problems.

The 1941-42 Situation

Canada

ACREAGE.- 22 million acres sown for 1941 harvest as compared with 29 million acres in 1940, and 26 million acres, the previous 10-year average (1930-39). The 1941 reduction amounted to about 25 percent.

PRODUCTION.- Early unofficial estimate is about 300 million bushels, compared with 551 million bushels in 1940, the second largest Canadian crop on record. The 10-year average production is 330 million bushels.

United States

ACREAGE.- 64 million acres sown for harvest in 1941 as compared with 62 million acres in 1940, and 70 million acres, the previous 10-year average (1930-39).

PRODUCTION.- July estimate is 924 million bushels, compared with 817 million bushels in 1940 and 748 million bushels, the 10-year average.

CARRY-OVER.- 480 million bushels on August 1, the largest quantity ever carried over by a single nation. The 1940 carry-over was 301 million bushels and the 10-year average, 133 million bushels.

SUPPLIES.- Estimated at 780 million bushels as compared with 852 million bushels for 1940-41 and 464 million bushels, the 10-year average.

DOMESTIC CONSUMPTION.- Estimate for 1941-42 is 132 million and for 1940-41, 125 million bushels. The 10-year average is 110 million bushels.

EXPORTS.- Prospects uncertain, but the estimated probability is about 200 million bushels. Exports in 1940-41 were 225 million bushels. The average for the 1930's was 201 million bushels and in the 1920's 272 million bushels.

SURPLUS.- From estimated 1941-42 supply of 780 million bushels deduct estimated 132 million bushels for domestic consumption. This leaves 648 million bushels available for export and carry-over at end of the marketing year.

CARRY-OVER.- 395 million bushels on July 1, the largest on record in U. S. The 1940 carry-over was 282 million bushels and the 10-year average, 241 million bushels.

SUPPLIES.- 1,319 million bushels on basis of July estimates, as compared with 1,099 million bushels for 1940-41 and a 10-year average of 997 million bushels.

DOMESTIC CONSUMPTION.- Estimate for 1941-42 is 650 million bushels and for 1940-41, 671 million bushels. The 10-year average is 695 million bushels.

EXPORTS.- Prospects uncertain, but exports to foreign countries and shipments to U. S. possessions may not be far from the 30-million-bushel total exported in 1940-41. Exports averaged 60 million bushels in the 1930's and 170 million bushels in the 1920's.

SURPLUS.- From the estimated 1941-42 supply of 1,319 million bushels deduct estimated 650 million bushels for domestic consumption. This leaves 669 million bushels for export and carry-over at end of the marketing year.

1941 Wheat Programs

Canada

ACREAGE ADJUSTMENT.- Each wheat producer is urged to seed not more than 65 percent of 1940 seedings. Compliance is voluntary.

United States

ACREAGE ALLOTMENT.- Each wheat producer gets share of national allotment that is based on Nation's wheat needs, export outlets, and reserves. The 1941 allotment of 62 million acres is roughly a 20-percent reduction below average seeded and diverted acreage. Compliance is voluntary.

COMPLIANCE BONUS.-- Wheat acreage left to summer fallow draws a bonus of \$4 per acre. If it is seeded to feed grains or rye, \$2; if seeded to grass or clover, \$2, and an additional \$2 if still seeded to same crop July 1, 1942.

DELIVERY QUOTA.-- (1) Established by Canadian Wheat Board on the basis of normal production on 65 percent of 1940 wheat acreage on individual farm.

(2) Wheat Board will take delivery of not more than 230 million bushels (about 11 bushels per acre on basis of reported seedings). Delivery made under a system of quotas with amounts accepted dependent upon available storage at that time.

(3) Excess wheat must be held on farm by producer, and it is a punishable offense to sell it without permission of the Wheat Board.

STORAGE. No loans, but farmers are given storage allowance at rates to be announced, but only on undelivered portion of 230 million bushels (1940 rate was 2/3 cent a month for 9 months).

PRICE.-- Government through Wheat Board offers to buy wheat from the producers at fixed price of 70 cents a bushel on the basis of No. 1 Northern Spring, E.O.B. Fort William. This price level last year averaged 52 cents a bushel (Canadian money) to producers.

COMPLIANCE PAYMENTS.-- For complying with wheat acreage allotment, farmer may earn 18 cents in conservation and parity payments on normal yield of acreage allotment.

MARKETING QUOTA.-- (1) Proclaimed by Secretary of Agriculture and approved by 81 percent of farmers voting in a referendum held May 31, 1941.

(2) All wheat produced on acreage allotment may be sold on open market free of penalty if producer seeds within acreage allotment or if he pays penalty on excess or stores it under bond.

(3) Excess wheat (smaller of normal or actual yield on acreage seeded in excess of allotment) subject to penalty of 49 cents a bushel (50 percent of basic loan rate), unless stored under bond or delivered to Government for relief use. Excess if stored is eligible for loan at 60 percent of regular rate.

STORAGE.-- Cooperators in the farm program may store wheat under Government loan averaging 98 cents a bushel until April 30, 1942. On farm-stored collateral, Government pays borrowers 1 cent a month or 7 cents storage allowance for the full loan period if wheat is delivered to Government. Noncooperators may store excess wheat under loan at 60 percent of regular rate until April 30, 1943.

PRICE.-- Prices supported by an 85-percent-of-parity loan. For the country the loan averages 98 cents a bushel.

CROP INSURANCE.- None.

CROP INSURANCE.- By paying premiums based on loss experience of locality and individual farm, farmer may guarantee himself 50 or 75 percent of normal yield, depending on type of policy. Farmer who has excess wheat, in effect, has additional insurance if he stores this excess because he can draw upon the excess without penalty by the amount by which his next year's yield falls below the normal yield on his allotted acreage.

SURPLUS REMOVAL.- Wheat Board may sell its wheat at home or abroad by marking up the difference between selling prices and fixed price to farmers plus freight, handling, and storage charges.

SURPLUS REMOVAL.- Some exports are being assisted by the Government and the machinery is available for keeping a fair share of world market for the U. S. Increase in domestic consumption is encouraged by distribution of surplus products to needy, as through Stamp Plan.

FINANCING.- Partly through Dominion Government appropriation but in addition a processing tax of 15 cents a bushel on all wheat converted into products used for human consumption domestically, realizing approximately \$7,500,000 annually.

FINANCING.- Appropriation from Federal Treasury.

Comparison of 1941 Programs in Action

For this illustration of how the Canadian and the United States wheat programs operate the same size farm with the same yield is used. It is assumed the operator of each farm has been seeding an average of 300 acres of wheat in the past. The average yield is assumed at 15 bushels per acre.

FOR THE GROWER WHO REDUCES HIS ACREAGE

Canada

SEEDING.- He would reduce his acreage by 35 percent to 195 acres.

PRODUCTION.- On the basis of an average yield of 15 bushels per acre, he would produce 2,925 bushels. Assume he keeps 585 bushels for feed and seed, leaving 2,340 bushels available for market.

United States

SEEDING.- He would seed within his AAA acreage allotment. This would be roughly 20 percent less than his average acreage, or about 240 acres.

PRODUCTION.- On the basis of an average yield of 15 bushels per acre, he would produce 3,600 bushels. Assume he keeps 585 for feed and seed, leaving 3,015 bushels available for market.

MARKETING.- He is permitted to market a per-acre quota (not yet announced). Assume the Government takes normal deliveries of about 12 bushels to the acre. For this farmer, this would be 2,340 bushels. At the average Wheat Board price of 52 cents (Canadian money) his return will be \$1,216.80.

LOAN.- Except for loans which he may be able to get from private lending agencies, he has no other way of financing himself except by selling his wheat as he can. And it is a punishable offense for him to deliver more than his quota. Several Provinces have various forms of debt moratoria to aid the grower until he can sell his crop.

STORAGE ALLOWANCE.- Delivery quotas and storage rates have not been announced. In 1940 he got 2/3 cent a bushel a month for 9 months.

GOVERNMENT PAYMENTS.- Assume he diverts wheat acreage to summer fallow to get the maximum rate of \$4 per acre on 105 acres. This amounts to \$420.

MARKETING.- Since he seeded within his allotment, he may market entire crop or he may store it under loan. Average United States farm price in June was about 83 cents. If he sells his 3,015 bushels at this price he gets \$2,502.45.

LOAN.- If he prefers to store his wheat under loan rather than to sell it at harvesttime, he can put it under Government loan, which for the Nation averages about 98 cents. On 3,015 bushels this would bring the farmer a total of \$2,954.70.

STORAGE ALLOWANCE.- By storing the loan collateral on his farm, the borrower will get storage allowance of 7 cents if he delivers his wheat to the Government at the end of the loan period. This amounts to \$211.05. If he redeems his loan he does not receive a storage allowance.

GOVERNMENT PAYMENTS.- For seeding within his acreage allotment the farmer receives a conservation payment of 8 cents and a parity payment of 10 cents a bushel of the normal yield on his allotment (3,600 bushels). Altogether his payment would be \$648.

INCOME.-	In Canadian Money	In U. S. Money
Sale to Wheat Board....	\$ 1,216.80	\$1,095.12
Government payments....	420.00	378.00
Total income.....	1,636.80	1,473.12
Average return per bu. not including feed and seed.	\$.70	.63

INCOME.-	
Government loan.....	\$2,954.70
Government payments.....	648.00
Total income.....	3,602.70
Average return per bushel not including feed and seed.	1.19

FOR THE FARMER WHO DOES NOT REDUCE ACREAGE

SEEDING.- He would seed his entire 300 acres.

PRODUCTION.- With a yield of 15 bushels per acre he would get 4,500 bushels. Assume he keeps 585 bushels for feed and seed, leaving 3,915 bushels available for market.

MARKETING.- Government has promised to take delivery of about 12 bushels on 65 percent of last year's acreage. This means he can deliver 2,340 bushels at 52 cents, or \$1,216.80.

HANDLING EXCESS.- He will have 1,575 bushels which he will have to keep on his farm until quota wheat has found a market.

STORAGE ALLOWANCE.- He has to store his excess as best he can.

SEEDING.- He would seed his entire 300 acres.

PRODUCTION.- With a yield of 15 bushels per acre he would get 4,500 bushels. Assume he keeps 585 bushels for feed and seed, leaving 3,915 bushels available for market.

MARKETING.- Under quotas, he is asked to make an adjustment in marketings similar to the adjustment the program cooperator made in seeding. In this case he will have 900 bushels of excess wheat (normal production of acreage above his allotment). In other words, like cooperator he has 3,015 bushels of free wheat to sell. At 83 cents (June farm price) his return will be \$2,502.45.

HANDLING EXCESS.- He has three choices for handling his 900 bushels of excess: (1) He may store it under bond and get a loan on it at 60 percent of the regular rate, or 59 cents. This amounts to \$531.00. (2) He can market it and pay the 49 cents penalty. Deducting 49 cents from 83 cents, this means he sells 900 bushels for 34 cents a bushel, or \$306. (3) He may deliver it to the Government for relief use.

STORAGE ALLOWANCE.- By storing his excess under loan on his farm, he may get a 12-cent storage allowance if he delivers his wheat in settlement of the loan at the end of the 2-year period ending April 30, 1943. On 900 bushels, this amounts to \$279.00. Delivery of excess wheat in satisfaction of a loan, however, does not satisfy the marketing penalty. In the meanwhile, he can free his excess from penalty by seeding below his 1942 allotment by a corresponding amount.

INCOME.--

	<u>In</u> Canadian Money	<u>In</u> U. S. Money
Sale to Wheat Board	\$1,216.80	\$1,095.12
Excess - no sale now*	_____	_____
Total Income*	\$1,216.80	\$1,095.12
Average return per bu.* not including feed and seed31	.28

*He may be able to sell his 1,575 bushels later which would bring up his income and average return.

INCOME.--

<u>When storing excess*:</u>	
Selling free wheat....	\$2,502.45
Loan on excess	531.00
Total Income	\$3,033.45
Average return per bu. not including feed and seed	.77
<u>When paying penalty*:</u>	
Selling free wheat	\$2,502.45
Selling excess and paying penalty	306.00
Total Income	\$2,808.45
Average return per bu. not including feed and seed72

*This assumes he will reduce his acreage in 1942 below his allotment or that his production falls below the normal yield on his allotment. If he redeems his excess in 1942, he may pay up his loan and sell his excess wheat at market price which at present market level would increase his income.